

SUBJECT: Intermediary Relending Program
Priority Scoring

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

Based on Business Programs Assessment Reviews and other observations, it appears that some Intermediary Relending Program (IRP) intermediaries may be receiving undeserved priority points for making applicant contributions to the IRP revolving fund when the contributions are never made. The purpose of this Administrative Notice (AN) is to improve the accuracy of IRP priority scoring and enforcement of the conditions upon which the priority points are based.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION:

You should award priority points to IRP applications under 4274-D, section 4274.344(c)(3), "Intermediary contribution," only if:

- (a) the intermediary's contribution will be part of the IRP revolving loan fund and will remain part of the IRP revolving loan fund for the life of the intermediary's IRP loan from the Rural Business-Cooperative Service (RBS);
- (b) the intermediary's contribution will be commingled with RBS IRP loan funds so that it eventually loses any separate identity and is used along with the RBS IRP loan funds for loans to ultimate recipients;

EXPIRATION DATE:
April 30, 2002

FILING INSTRUCTIONS:
Preceding RD Instruction 4274-D

- (c) ultimate recipient loans funded partly from intermediary contribution and partly from RBS loan funds will be evidenced by one promissory note for the total loan amount;
- (d) the promissory note receivable will be an asset of the IRP revolving loan fund;
- (e) all payments on the promissory note made by the ultimate recipient will be deposited in bank accounts and bookkeeping accounts designated as part of the IRP revolving fund; and
- (f) the entire IRP revolving loan fund, including any resulting assets, will be pledged to RBS as collateral, in accordance with RD Instruction 4274-D, section 4274.326(a)(2).

During application processing, you should ensure that applicants agreeing to make an intermediary contribution understand the commitment required. Additional guidance regarding the requirements for establishing and maintaining the IRP revolving fund may be found in RD Instruction 4274-D, section 4274.332(b).

After a loan is closed for an intermediary that received priority points for intermediary contribution, you should monitor to ensure that the intermediary makes the required deposit of funds into the IRP revolving fund and that all collections from ultimate recipients remain part of the IRP revolving fund. The intermediary's contribution should be made either before USDA loan funds are delivered to the intermediary or on a pro rata basis as the USDA funds are delivered.

If you have further questions regarding IRP priority scoring, please contact M. Wayne Stansbery, Branch Chief, Specialty Lenders Division Processing Branch, (202) 720-6819.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Acting Administrator
Rural Business-Cooperative Service